

CHAPTER IV
TRANSACTION AUDIT

4.1 Defalcation of public money

Non-accountal of cash drawn from treasury and failure to close cash book daily-misappropriation of Rs.15.49 lakh in Thiruvananthapuram Municipal Corporation detected in audit.

Sanction and distribution of unemployment wages to unemployed youths is a transferred function of the Urban Local Bodies (ULBs) as per Kerala Municipality Act, 1994. The State Government during 2005-06 and 2006-07 allotted non-plan funds of Rs.2.27 crore under Category 'B' to Thiruvananthapuram Municipal Corporation (TMC) for distributing unemployment wages at the rate of Rs.120 per month per beneficiary. As per Kerala Unemployment Wages Rules, 1998, beneficiaries who were not present at the time of distribution of the assistance were not eligible to claim it later. Hence the undisbursed amounts were to be refunded to the Consolidated Fund of the State immediately. The details of amounts drawn, disbursed and the balance refunded by TMC during 2005-06 and 2006-07 (up to 12 February 2007) are given below:

(Rupees in lakh)

Sl No	Date of drawal	Amount drawn	Amount disbursed	Balance amount	Amount refunded	Date of refund
1	07.09.2005	29.20	24.20	5.00	5.00	15.10.2005
2	15.10.2005	29.30	23.74	5.56	5.56	09.11.2005
3	24.11.2005	14.60	11.80	2.80	2.80	12.01.2006
4	02.03.2006	43.81	35.70	8.11	8.11	16.08.2006
5	25.05.2006	66.28	50.79	15.49	Nil	--
6	30.08.2006	43.81	35.41	8.40	8.40	27.09.2006
	Total	227.00	181.64	45.36	29.87	

Out of Rs.66.28 lakh drawn on 25 May 2006 (Sl.No.5 above) TMC disbursed Rs.50.79 lakh only towards unemployment wages for nine months (October 2003 and November 2004 to June 2005). The disbursement was made between 25 and 31 May 2006. There was an unspent balance of Rs.15.49 lakh on 1 June 2006 which should have been refunded to the Government immediately. Instead of refunding the surplus amount, the clerk of the Accounts Department who was responsible for making refund, misappropriated the money. This misappropriation was detected in physical verification of cash by the officers of TMC on 12 February 2007 conducted at the instance of Audit. The clerk handed over Rs.11.25 lakh out of Rs.15.49 lakh to the Accounts Officer on the same day which was refunded to the Government on the next day i.e. 13 February 2007. The Secretary suspended the clerk with effect from 13 February 2007 and the police registered a case against him. The balance of misappropriated amount of Rs.4.24 lakh remained unrecovered. The misappropriation was reported to the Government on 15 March 2007.

The non-accountal of drawals from the treasury and failure to close the cash book daily were brought to the notice of the Secretary and Accounts Officer (April 2006), through the local audit report for the year 2004-05. In spite of this, they failed to rectify the mistakes facilitating the misappropriation. If cash book entries had been verified with Treasury Bill Book¹ and periodical verification of cash done, this defalcation could have been avoided. The misappropriation occurred despite the existence of a concurrent audit office of the Director of Local Fund Audit at the TMC to conduct audit of transactions concurrently.

The matter was reported to Government in March 2007.

4.2 Penal interest written off without the approval of competent authority

Thrissur Municipal Corporation wrote off penal interest of Rs.4.38 crore in violation of rules and without authority.

The erstwhile Government of Cochin had, during 1937 granted a licence to Thrissur Municipality for distribution of electricity in the area of the municipality contained within a radius of 16 Km from Vadakkumnathan Temple. The municipality later became a Corporation (October 2000) and continued to hold the license enabling it to purchase power from the Kerala State Electricity Board (KSEB) at grid tariff rates and distribute it to the consumers in the licensed area at the rates applicable to consumers of KSEB. Penal interest at the rate of two *per cent* per month was payable by the consumers for defaulted payment of energy charges.

The amount of penal interest on arrears of energy charges of Rs.15.81 crore up to March 2001 as demanded by the Corporation was Rs.4.38 crore against which Rs.0.21 crore was collected as of December 2002. The Corporation however decided (December 2002) to write off the penal interest of Rs.4.38 crore including that already collected. The Corporation adjusted the penal interest of Rs.0.21 crore collected from the defaulters against their energy charges which fell due after March 2003. This was in violation of Rule 3 (5) of the Kerala Municipality (Writing off Irrecoverable Amounts) Rules, 1999 which stipulated that no amount exceeding Rs.5000 should be written off without the approval of the Director of Local Fund Audit and the Government. The Rule also stipulated that any amount should be written off only if the LSGI was satisfied that it was not possible to recover the amount by any means. Therefore, the decision to write off the amounts especially that already collected, was unauthorised. The Assistant Secretary, Electricity Department of the Corporation admitted (July 2005) that the write off was unauthorised. The write off led to loss of revenue of Rs.4.38 crore to the Corporation.

The matter was reported to Government in September 2006; reply is awaited (March 2007).

¹ Treasury Bill Book is a register where details of bills presented to the treasury and details of money drawn from treasury are recorded under attestation by treasury officer.

4.3 Loss due to failure to encash Indira Vikas Patras on maturity and reinvest the amounts

Thiruvananthapuram Municipal Corporation incurred a loss of Rs.63.65 lakh due to failure in encashing Indira Vikas Patras with face value of Rs.63.65 lakh on the date of maturity and reinvesting it.

Thiruvananthapuram Municipal Corporation (TMC) implemented the Scheme for Housing and Shelter Up-gradation (SHASU) under Nehru Rozgar Yojana (NRY) during the period 1990-94. Each beneficiary selected under the scheme was eligible for an assistance of Rs.4,000 for the upgradation of existing house. Out of the assistance, Rs.3,000 was loan provided by Kerala Urban Development Finance Corporation (KUDFC) and the balance amount of Rs1,000 was Central and State subsidy. The loan portion of Rs.3000 alone was released to the beneficiary withholding the subsidy of Rs.1000 to cover the liability of repayment of loan in case of default by the beneficiaries. The beneficiary was to repay the loan through TMC within a period of 10 years failing which TMC was liable to repay the loan. TMC invested the withheld amount of Rs.1000 in Indira Vikas Patras (IVPs) and kept it in safe custody as security. The amount invested in IVPs would have quadrupled within a period of 10 or 11 years, if reinvested in IVPs immediately on maturity after 5 or 5 ½ years. No interest accrued on IVPs after the date of maturity. The quadrupled amount of Rs.4000 received after 10 or 11 years was to be utilised to meet the repayment liability of the loan of Rs.3000 in case of any default by the beneficiary. On completion of the repayment period, TMC was to pay Rs.4000 to the beneficiaries who repaid the loan promptly.

During the period 1990-1994, 8565 beneficiaries availed the assistance under SHASU at the rate of Rs.3000. TMC invested Rs.1000 per beneficiary in IVPs which were to be encashed and invested immediately on the date of maturity. However, TMC failed to encash and reinvest 6469 IVPs having a face value of Rs.63.65 lakh purchased at Rs.31.83 lakh, immediately on maturity. IVPs purchased during 1990-94 were to be first encashed and reinvested during 1995-2000 which would have fetched Rs.127.30 lakh during the period 2001-2005. TMC, however, encashed the IVPs during February and March 2005. i.e. 11 to 15 years after purchasing the IVPs, which fetched only Rs.63.65 lakh instead of Rs.127.30 lakh. Non-encashment of IVPs in time thus resulted in loss of Rs.63.65 lakh. If the maturity date of IVPs retained by TMC had been closely monitored, the lapse could have been avoided.

TMC, in reply, stated (November 2006) that the IVPs could not be encashed in time as a vigilance case registered in 1992 against a retired officer in connection with misappropriation of money (Rs.2.25 lakh) relating to purchase of IVPs was pending. This argument is not tenable because the vigilance case on misappropriation, about which a comment is included in Para 4.4 of this Report, was not an obstacle for encashing IVPs as TMC could encash it in 2005 when the case was not settled.

The matter was reported to Government in December 2006; reply is awaited (March 2007).

4.4 Lack of internal control in LSGIs

Failure to follow prescribed internal control system enabled misappropriation of Rs.33.87 lakh in 18 LSGIs.

A strong internal control system which is an essential pre-requisite for the efficient discharge of functions of an organisation is prescribed in Kerala Panchayat (Accounts) Rules, 1965. Receipts in the prescribed form prepared in duplicate by using a double side carbon paper signed by the Secretary or any other person authorised by him/her should be given for all moneys received in LSGIs. Similarly, every payment made, either in cash or cheque should be supported by a voucher duly receipted, stamped, if necessary and signed by the person to whom the money was due and to whom it was actually paid. All moneys received and payments made should be entered in the Cash Book, Register of Receipts/Register of Payments based on which monthly accounts and annual financial statements were prepared. Apart from these, Demand Register, Arrear Demand Register, Stock Accounts, Asset Registers, Register of Deposits, etc., also are tools of internal control. Government and the Secretary/Chairperson of the LSGIs failed to oversee and ensure that the internal control system was strictly followed. As a result of failure to follow the prescribed procedures, there was delay in submission of annual financial statements to DLFA. This led to misappropriation of public money and other financial irregularities.

During the local audit of LSGIs, 18 cases of misappropriation of public money involving Rs.33.87 lakh were noticed as detailed in **Appendix IX**.

None of the LSGIs took a serious view of the misappropriations committed by the staff. In spite of the Government being informed of the misappropriations as and when they were noticed, no disciplinary action, except recovery of misappropriated amounts of Rs.4.75 lakh, was taken. The risk of misappropriation of public money can be mitigated only through strict enforcement of the internal control system and proper maintenance of accounts records under proper supervision and monitoring. Government did not take any action to avoid such lapses in future which led to the misappropriation of money drawn for distribution of unemployment wages as discussed in paragraph 4.1 of this report.

The matter was reported to Government in January 2007; reply is awaited (March 2007).

4.5 Non-utilization of funds for poverty alleviation programmes

Rupees 1.39 crore received by the Thiruvananthapuram Municipal Corporation for implementation of Centrally Sponsored Schemes was kept unutilised in treasury deposits for more than six years.

The funds required for implementation of Centrally Sponsored Schemes (CSSs) viz. Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) and National Slum Development Programme (NSDP) were received by the Thiruvananthapuram Municipal Corporation (TMC) during 1999 -2000 and 2000-01 through the State Poverty Eradication Mission and Director of Urban Affairs. Though the funds, as per Central guidelines, were to be deposited in an account opened in one of the nationalised banks, TMC deposited the amounts in the Treasury Public Account¹ (TP Account) in the District Treasury, Thiruvananthapuram as detailed below.

(Rupees in lakh)

Sl No	Date of deposit	NSDP	SJSRY	Total
1	22.03.2000	55.70		55.70
2	04.07.2000		22.15	22.15
3	31.03.2001	48.71		48.71
	Total	104.41	22.15	126.56

The balance in the TP Account as of March 2004 was Rs.1.39 crore including interest of Rs 0.12 crore allowed by the treasury upto March 2002. Since the schemes were to be implemented through the Community Development Society(CDS), as per central guidelines, TMC transferred the amount available in the TP Account to CDS on 22 March 2004 by issuing a cheque for Rs.1.39 crore. When the CDS presented the cheque at the District Treasury for encashment, the treasury officer did not honour the cheque stating that special sanction from the State Finance Department should be obtained. As the TP account was equivalent to a bank account, a valid cheque could be dishonoured by the treasury only if there was insufficient balance in the account. As there was sufficient balance in the TP account for honouring the cheque, the objection of the treasury was not sustainable. Though the matter was taken up with the Finance Department several times, the last being in October 2006, no sanction was received (as of March 2007). This irregular withholding of funds by the treasury and non response by the State Finance Department resulted in non-utilisation of the CSS funds even after the lapse of seven years since the allotment by the Government of India. Depositing CSS funds in the treasury, in violation of guidelines, was the root cause for the non-implementation of the CSSs.

The matter was reported to the Government in August 2006; reply is awaited (March 2007).

¹ Deposit account maintained in the treasury, similar to savings bank account in a bank

4.6 Avoidable payment of surcharge and penal interest on water charges.

Failure of Wayanad District Panchayat to remit water charges in time and to replace defective water meter led to avoidable payment of penal interest and surcharge of Rs.83.78 lakh.

The District Hospital, Mananthavady was transferred from the State Health Department to Wayanad District Panchayat (DP) with effect from 2 October 1995 in accordance with the provisions of Kerala Panchayat Raj Act, 1994. The upkeep and maintenance including payment of water and electricity charges of the hospital, therefore became the responsibility of the DP from October 1995. The Kerala Water Authority (KWA) levied penal charges amounting to Rs.83.78 lakh¹ as detailed in **Appendix X**. The water charges included an amount of Rs.4.01 lakh pertaining to the period prior to the transfer of the hospital to the DP.

The surcharge for non-replacement of the water meter was Rs.28.18 lakh calculated at the rate of 50 *per cent* of the water charges for December 1998 and January 1999 and at 100 *per cent* thereafter. The fine at the rate of two *per cent* per month levied for default in payment of surcharge was Rs.29.13 lakh. Thus non-replacement of water meter costing Rs.4147 resulted in payment of avoidable surcharge and fine thereon amounting to Rs.57.31 lakh (Rs.28.18 lakh + Rs.29.13 lakh).

Against the total demand of Rs.1.24 crore, for the period from October 1993 to May 2006 the DP paid Rs.1.19 crore as of May 2006 leaving a balance of Rs.4.46 lakh. Had the water meter been replaced in time, payment of surcharge and fine thereon could have been avoided. Even though the water meter was replaced during May 2006, KWA continued to levy surcharge. Though this was brought to the notice (August 2006) of the KWA, no action was taken as of September 2006.

Failure on the part of the DP to pay water charges in time and replace the defective water meter led to avoidable payment of penal interest and surcharge amounting to Rs.83.78 lakh.

The matter was reported to Government in August 2006; reply is awaited (March 2007).

¹ Surcharge for non-replacement of faulty water meter	= Rs.28.18 lakh
Fine for defaulting water charges and surcharge during October 1999 to May 2006	= Rs.55.60 lakh

Total	= Rs.83.78 lakh
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4.7 Unauthorised financial aid of Rs.63.65 lakh

Thiruvananthapuram Municipal Corporation incurred Rs.63.65 lakh in excess of the admissible amount for constructing 50 houses under VAMBAY, violating the guideline issued by Government.

Valmiki Ambedkar Awas Yojana (VAMBAY) is a Centrally Sponsored Scheme primarily to provide shelter or to upgrade the existing shelter for people living Below Poverty Line in urban slums. The upper financial limit for construction of a house under VAMBAY was Rs.40,000 (including provision for sanitary latrine) which was to be borne by the Central Government, State Government and the Urban Local Body (ULB) in the ratio of 2:1:1. According to the guidelines, the beneficiaries should be identified through Neighbourhood Groups (NHGs), Area Development Societies (ADSs) and Community Development Society (CDS) in consultation with the ULB. The identification of BPL beneficiaries should be on the basis of baseline survey conducted under Swarna Jayanthi Shahari Rozgar Yojana. It is also stipulated that the allotment of houses should be in the name of the female member or jointly in the name of husband and wife.

The State Poverty Eradication Mission (SPEM), which is the State level nodal agency for VAMBAY, released (May 2002) Rs.64 lakh (including the State and ULB shares) to the Thiruvananthapuram Municipal Corporation (TMC), to provide houses in the Chengalchoola Colony to 160 beneficiaries at the rate of Rs.40,000 per house. Government accorded sanction (June and August 2003) for construction of 160 houses at an estimated cost of Rs.267.68 lakh. TMC entrusted (August 2003) the work of construction to the Centre for Science and Technology for Rural Development (COSTFORD). The stipulated date of completion of the work was 1 February 2005. Although a total amount of Rs.128.59 lakh¹ was paid to COSTFORD, works of only 50 houses were completed and works of 40 houses were in progress as of November 2006. The works in respect of 70 houses were not even commenced.

Audit scrutiny revealed the following irregularities.

- Beneficiaries were selected by a Committee consisting of Chairpersons of Standing Committees of Health, Works and Social Welfare, the Ward Councillor concerned, Leader of Opposition, Secretary, Project Engineer and Urban Poverty Alleviation Project Officer. The Corporation Council approved the list (August 2005) consisting of 160 beneficiaries. Selection of beneficiaries other than through NHGs, ADSs and CDS was violative of guidelines.
- Out of 160 beneficiaries 123 were male beneficiaries which was also in contravention of the guidelines indicating that the list contained ineligible beneficiaries.

¹ Funds released by SPEM -Rs.64.00 lakh.
Own funds -Rs.34.00 lakh
Plan funds -Rs.30.59 lakh
Total - Rs.128.59 lakh
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- Even though the construction was to be completed by February 2005, the achievement was only 31 *per cent* after two years.
- As the amount spent on construction of 50 houses was Rs.83.65 lakh, the unit cost worked out to Rs.1.67 lakh. This exceeded the prescribed ceiling of Rs.0.40 lakh by Rs.1.27 lakh. This violation of guidelines resulted in excess expenditure of Rs.63.65 lakh.

The matter was reported to Government in September 2006; reply is awaited (March 2007).

4.8 Unfruitful expenditure on purchase of unsuitable land

Decision of Mananthavady Grama Panchayat to purchase land unsuitable for establishing solid waste processing plant resulted in unfruitful expenditure of Rs.31.89 lakh.

Mananthavady Grama Panchayat (GP) started (July 2004) construction of a solid waste processing plant in their own land measuring 4.75 acres at Choottakadavu as authorised (July 2002) by the Kerala State Pollution Control Board (PCB). For the disposal of the non-biodegradable waste, the PCB stipulated that a landfill site should be set up at the above plot by converting the existing waste dumping site in accordance with the Municipal Solid Waste (Management and Handling) Rules, 2000 which are applicable to GPs also.

In the meanwhile, the GP decided (June 2004) to acquire 2.03 acres of additional land lying adjacent to the above land for facilitating the installation of the plant. Based on the valuation certificate issued by the District Collector, Wayanad, the GP fixed (August 2004) the value of the land at Rs.15000 per cent. As total value of the land to be purchased was exceeding Rs.15 lakh, the GP decided (November 2004) to obtain sanction from higher authorities. One of the local residents challenged the construction of the plant in the High Court on grounds of pollution. PCB on 30 October 2004 issued direction to the GP in the light of a High Court order, to stop the construction of the plant until further orders. However, the GP purchased two acres of land at a total cost of Rs.30 lakh in January 2005 without waiting for the final orders of PCB and without obtaining Government sanction.

According to the Rules *ibid*, land fill sites should be away from habitation clusters and water bodies and shall have approach and other internal roads for free movement of vehicles and other machinery. As the land purchased was situated on the banks of River Kabani, very close to residential houses and was inaccessible during monsoon as seen from the photos given below, PCB rejected (June 2005) the request of the Panchayat to extend the period of authorisation which was only up to 31 March 2003, for installation of the plant.



Views of plot purchased for solid waste disposal facility

The honourable high court upheld (August 2005) the decision of the PCB. Thus the expenditure of Rs.31.89 lakh (including stamp duty and registration fee) incurred for acquiring land without the sanction of Government, and without waiting for the final orders of PCB and violating the provisions of the Solid Waste (Management and Handling) Rules became unfruitful.

The matter was reported to the Government in August 2006; reply is awaited (March 2007).

4.9 Avoidable expenditure on providing private water connections

Two District Panchayats incurred expenditure of Rs.1.62 crore on providing private water connections to 35453 beneficiaries under Swajaldhara Scheme in violation of Government guidelines.

Sector Reforms Pilot Project (SRP) aimed at reforms in the Water supply and Sanitation sector financed by the Government of India (GOI) was launched in Kasaragod and Kollam districts during December 2000 and January 2001 respectively. The objectives of SRP were to ensure access to water supply and sanitation for the rural population by developing sustainable systems and sources and to institutionalise water quality monitoring and surveillance and community participation in the rural water supply programme. This project was renamed as Swajaldhara II with effect from 1 April 2004 and was closed on 31 March 2006. Against 771 water supply schemes taken up in the two districts, 749 were completed catering to the needs of 35,453 households and 111 schools. The expenditure incurred was Rs.54.79 crore of which Rs.49.87 crore was GOI share and the rest was beneficiary share, District Panchayat share and interest accrued from bank account.

The District Panchayats (DPs) coordinated the implementation of SRP. For the overall management of project implementation and for co-ordinating various institutional entities, a Project Support Unit (PSU) was set up within each DP under the chairmanship of the President of the DP.

According to clause B1 of Annexure-1 of the Guidelines issued by the State Government (December 2000 and January 2001), 70 per cent households were expected to opt for private connections which were not to be financed from the project funds and the rest to be served with public stand posts. In contravention of these guidelines, all the 15161 and 20292 beneficiaries in Kollam and Kasaragod Districts respectively were provided private connections free of cost and no public stand post was provided. The avoidable expenditure on account of this worked to Rs.1.62 crore (**Appendix XI**).

On this being pointed out in audit, Kollam and Kasaragod DPs admitted (June 2006) that private connections were provided to all beneficiary houses as it was not possible to ensure that non-beneficiaries would not avail the facilities under the scheme if public stand posts were provided. The reply is not tenable as providing private water connections with project funds was unauthorised.

The matter was reported to Government in January 2007; reply is awaited (March 2007).

4.10 Unfruitful expenditure on check dam

Defective formulation of a project for construction of a weir (check dam) across the River Natukani without the provision for lift irrigation led to unfruitful expenditure of Rs.39.13 lakh in Wayanad District Panchayat.

Wayanad District Panchayat (DP) during 2001-02 took up a project for constructing a check dam across the River Natukani at Cheekallur in Kaniambetta Grama Panchayat at an estimated cost of Rs.42.50 lakh mainly to irrigate 187 hectares of land on the banks of the river. The construction of the check dam was completed in August 2003 by the Beneficiary Committee at a cost of Rs.39.13 lakh. As the irrigable land was on a higher terrain, lifting of water by using motor and pump set was an essential requirement of the irrigation scheme. Since provision of pump set was not made in the estimate, the DP could not make use of the check dam for irrigation even after a lapse of three years after the completion of its construction. As the intended benefits of the project could not be derived, the expenditure of Rs.39.13 lakh incurred became unfruitful. The construction of a check dam without making provision for lift irrigation indicated defective planning. The DP confirmed (October 2006) that no lift irrigation system was constructed.

The matter was reported to Government in August 2006; reply is awaited (March 2007).

4.11 Irregular Hiring of vehicles in Kochi Municipal Corporation

Unnecessary hiring of vehicles and irregular tender procedure led to undue benefit to the contractor

(i) Undue favour to the contractor

Municipal Corporation of Kochi (MCK) invited (March 2003) quotations (inclusive of fuel and driver) for supplying vehicles having transporting capacity of 10 MT for removal of solid wastes from East and West Zones to the land fill sites. As MCK could not finalise the tender before the expiry of the existing contract on 31 March 2003, the contractor was allowed to continue to supply vehicles at the existing rate Rs.1,549 per vehicle per day till the award of a new contract.

The lowest bid quoted was for Rs.1,159. However, MCK negotiated (22 April 2003) with other bidders including the existing contractor, who had quoted Rs.1590 (8th lowest). This was in violation of Rule 10(12) of Kerala Municipality (Execution of Public Works and Purchase of Materials) Rules, 1997, according to which the lowest tender should have been accepted and if the lowest tender was not acceptable, second lowest tender should have been accepted for recorded reasons. On negotiation, the existing contractor reduced his quote to Rs.1,140. Instead of considering the lowest bidder at the first instance, MCK awarded the work to the existing contractor (August 2003).

Further, Rule 11(2) *ibid* stipulate that negotiations should be made only with the lowest bidder. Thus negotiating with all bidders after the rates quoted by each were made public was in violation of the rules. No reasons were on record for not accepting the lowest quote. It was evident that the tendering

procedure was not transparent in the MCK and awarding the work to the existing contractor was tantamount to extending undue favour to him.

(ii) Unjustified payment for hiring of vehicles

The District Medical Officer of Health (DMOH) brought to the notice of the MCK (May 2003) that the outbreak of dengue fever in Ernakulam district was due to the large number of used and obsolete tyres lying in industrial areas, near motor workshops and retreading shops in the city. The water collected in these tyres accelerated the breeding of 'aedes' mosquitoes which are carriers of the 'dengue' virus. The DMOH asked MCK to remove such sources by instructing them to either destroy such tyres or to keep them covered failing which their licence should be withdrawn.

Instead of directing the workshops/retreading shops to remove the tyres at their cost, MCK decided to hire two tipper lorries and one excavator (JCB) for three days to remove such accumulated waste for which it invited (May 2003) quotations. The contract was awarded again to the same contractor who was engaged for providing vehicles for the period 2003-04 for transporting municipal solid waste to land fill sites referred to in (i) above. MCK did not execute any agreement with the contractor for the above job. The rate quoted by him and accepted by MCK was Rs.2550 per day per lorry which was much higher than that which prevailed up to March 2003 and thereafter i.e. Rs.1590 and Rs.1140 respectively.

The Secretary of MCK reported to the Director of Urban Affairs on 23 June 2003, that the work was complete. Further, though the contractor was to supply lorries and JCB only on 28, 29 and 30 May 2003 as directed in the work order dated 26 May 2003, he claimed hire charges of Rs.1.61 crore for supplying vehicles from 23 May 2003 to 31 July 2005. Nearly after two years of commencement of the work, MCK entered into an agreement with the contractor on 18 May 2005 to the effect that "the contractor shall supply the vehicles for as many hours/days as required by MCK". A review of the agreement executed ex-post facto revealed that the following essential and vital conditions were not incorporated.

- i) Mention about the quotation notice (24 May 2003), quotation of the contractor and work order (26 May 2003).
- ii) Stipulated period of commencement and completion of the work.
- iii) Conditions for maintaining a vehicle movement register.

In the absence of the above conditions, the possibility of a fraudulent claim towards hiring charges of 10380 hours for JCB and 2841 lorries between 23 May 2003 and 31 July 2005 could not be ruled out. Claiming amounts for periods even prior to publication of the quotation notice was indicative of fraud and needs to be investigated. The admissible hire charges payable as per the work order were only Rs.39525 for hiring vehicles for three days on 28 May to 30 May 2003. Further, as there was an existing agreement for hiring lorries for removal of solid waste during the same period, there was no necessity for hiring vehicles for this similar nature of work. Thus, lack of monitoring of the hired vehicles and the non-transparent tender procedure followed resulted in avoidable payment of Rs.1.61 crore.

The matter was reported to Government in February 2007; reply is awaited (March 2007).

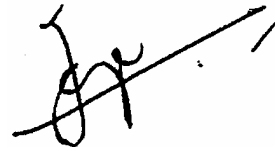
4.12 Unfruitful Expenditure on a building

Projects for providing employment to women could not be started as Wadakanchery Grama Panchayat did not procure machinery and raw materials rendering Rs.11.70 lakh spent on construction of building unfruitful.

Wadakanchery Grama Panchayat (GP) included in its annual plan for the year 2000-01, two projects for establishing an umbrella manufacturing unit and a dress making unit with an outlay of Rs.4.94 lakh and Rs.3.50 lakh respectively to provide employment to 10 women each. The amount included the cost of buildings, machinery and raw materials. The construction of the buildings was completed in February 2001 and July 2001 respectively at a total cost of Rs.7.27 lakh. As the GP did not procure the machinery and raw materials costing Rs.1.50 lakh, which was 18 *per cent* of the project outlay, the units could not be commissioned.

Even though the units were not commissioned in the buildings, the GP decided to construct the second floors of the buildings which had been idle for two years. The construction was completed in March 2004 at a cost of Rs.4.43 lakh. The buildings, in spite of modifications, could not be utilised for want of machinery. Construction of second floors of the buildings even when portions already constructed had been lying idle was injudicious leading to unfruitful expenditure of Rs.11.70 lakh. Besides, the intended benefit of providing employment to 20 women could not be derived.

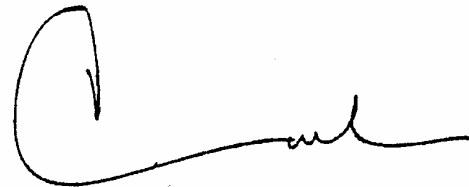
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